

Message Text

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ORIGIN EB-11

INFO OCT-01 ARA-16 ISO-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 TAR-02 L-03 H-03 INT-08

NSC-07 SS-20 STR-08 CEA-02 GSA-02 /148 R

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EB/ICD:JJINGERSOLL

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COMMERCE:BDC:JLEVIN

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R 151512Z MAR 74

FM SECSTATE WASHDC

TO AMEMBASSY MEXICO CITY

INFO AMCONSUL MONTEREY

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E.O. 11652: N/A

TAGS: EIND, ETRD

SUBJECT: US FERROUS SCRAP EXPORTS

REF: MEXICO CITY 1283

1. MEXICAN EMBASSY DCM SAENZ DELIVERED NOTE ON FERROUS SCRAP TO DEPT MARCH 11. MEXICAN NOTE STATED THAT USG FIRST QUARTER SCRAP QUOTA OF 165,000 ST STILL LEFT MEXICO WITH MORE THAN 100,000 ST SHORTFALL IN ITS FIRST QUARTER SCRAP NEEDS. TO HELP MAKE UP THIS SHORTFALL, GOM REQUESTED MEXICAN FIRST QUARTER QUOTA BE INCREASED BY 100,000 ST. LOOKING BEYOND FIRST QUARTER, MEXICANS ALSO REQUESTED THAT EXPORT SHIPMENTS (TO MEXICO AND CANADA) OF LESS THAN 500 SHORT TONS BE EXEMPTED FROM LICENSES AND QUOTAS; AND THAT RAILS AND AXLES FOR RE-ROLLING BE EXCLUDED FROM LIST OF LIMITED OFFICIAL USE

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TYPES AND GRADES OF FERROUS SCRAP SUBJECT TO EXPORT CON-

TROLS.

2. DEPTOFFS WERE NONCOMMITTAL IN RESPONSE, BUT EXPRESSED DOUBTS THAT IT WOULD BE POSSIBLE TO INCREASE MEXICAN FIRST QUARTER QUOTA, NOTING THAT FIRST QUARTER CONTINGENCY RESERVE APPEARED FULLY COMMITTED. THEY ALSO DOUBTED IT WOULD BE POSSIBLE TO EXEMPT UNDER-500 ST SHIPMENTS FROM CONTROLS. DEPTOFFS NOTED THAT SCRAP REMAINS IN EXTREMELY TIGHT SUPPLY IN US, WITH PRICES REACHING NEW HIGHS WEEKLY. CURRENT COMPOSITE PRICE FOR NUMBER ONE HEAVY MELTING SCRAP IS 118 DOLS. PER TON, UP MORE THAN 50 PERCENT OVER 76.50 DOLS. COMPOSITE PRICE AT BEGINNING OF 1974.

3. ALLUDING TO AMEMBASSY REPORT ON SCRAP HOARDING BY GOM-CONTROLLED INDUSTRIES, (REFTEL), DEPTOFFS NOTED DURING DISCUSSION THAT USG MAKING EFFORTS TO PLACE ADDITIONAL SCRAP ON MARKET (E.G., INCREASED SALES OF USG-OWNED SHIPS FOR SCRAPPING PURPOSES; INCENTIVES FOR INCREASED SHIP-BREAKING IN US), AND ASKED RE GOM EFFORTS ALONG SIMILAR LINES, E.G., SCRAP FROM RAILROADS, HIGHWAYS, PEMEX. SAENZ'S REPLY WAS A GENERAL ONE, SAYING HE FELT GOM EXPLORING POSSIBILITIES OPEN TO IT. DEPTOFFS DID NOT RPT NOT MENTION CONFIDENTIAL GOM SURVEY OF SCRAP HOARDING.

4. FYI: SUBSEQUENT DEPARTMENT CHECK WITH COMMERCE RE QUESTION REMOVING RAILS AND AXLES FROM CONTROLS INDICATED DOUBT THIS WOULD BE DONE, COMMERCE NOTED THAT LARGEST US EXPORTER OF RAILS AND AXLES HAD TWICE REQUESTED SUCH REMOVAL, AND THAT BOTH REQUESTS HAD BEEN REJECTED. END FYI. KISSINGER

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